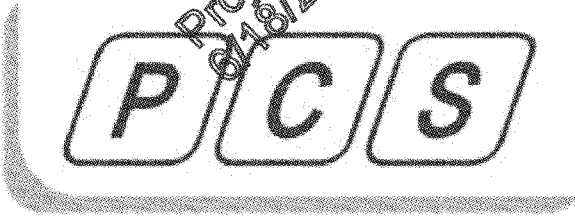


# **EXHIBIT A**

CONFIDENTIAL INFORMATION



PROFESSIONAL COVERAGE SERVICES PLLC

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# CONFIDENTIALITY

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Brookwood Associates, LLC ("Brookwood") has been retained by Professional Coverage Services PLLC (collectively, "PCS" or the "Company"), to serve as its exclusive financial advisor to explore strategic alternatives for PCS. This Confidential Information Memorandum (the "Memorandum") is being delivered to the recipient based upon the recipient's expressed interest in acquiring PCS (a "Transaction"). The sole purpose of this Memorandum is to assist the recipient in deciding whether to proceed with an in-depth investigation of PCS in accordance with procedures established by PCS and Brookwood. Brookwood has not independently verified any of the information contained herein. Neither PCS nor any of its respective officers, directors, managers, members, affiliates or representatives nor Brookwood or its affiliates, controlling persons or representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein or any other written or oral communication transmitted or made available to any recipient. PCS and Brookwood and their respective affiliates and representatives expressly disclaim any and all liability based, in whole or in part, on such information, errors therein or omissions there from. This Memorandum does not purport to contain all of the information that may be required to evaluate all of the factors that would be relevant to a recipient considering entering into a Transaction, and any recipient hereof should conduct its own investigation and analysis. This Memorandum includes certain forward-looking statements provided by PCS with respect to the anticipated future performance of PCS. Such forward looking statements reflect various assumptions of management concerning the future performance of PCS, which assumptions may or may not prove to be correct. The actual results will vary from the anticipated results and such variations may be material. No representations or warranties are made as to the accuracy or reasonableness of such assumptions or the forward-looking statements based thereon. Only those representations and warranties which may be made in a definitive written agreement relating to a Transaction, when and if executed by PCS, and subject to any limitations and restrictions as may be specified in such definitive agreement, shall have any legal effect. The distribution and use by a recipient of the information contained herein and any other information provided to the recipient by PCS or Brookwood is governed by a confidentiality agreement, a copy of which has been executed and delivered by the recipient.

# CONTACT INFORMATION

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All communications or inquiries relating to PCS should be directed to Brookwood. No personnel of PCS should be contacted directly under any circumstances. Please direct all inquiries to the following Brookwood professionals:

BrookwoodAssociates

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# INVESTMENT HIGHLIGHTS

## VALUABLE HOSPITAL RELATIONSHIP

- ✓ Premier hospital system with renowned multi-specialty expertise
- ✓ Tenured relationship of over 25 years demonstrates strength of ED management contract
- ✓ Hospital system benefits from both population growth and by capturing additional market share
- ✓ Only system in Memphis area that contracts with all major insurance payors

## ATTRACTIVE HOSPITAL MARKET

- ✓ Memphis MSA has a favorable regulatory environment with one of the lowest costs of doing business
- ✓ Steady historic population growth
- ✓ Significant improvements in the regional labor market
- ✓ Recent Methodist Le Bonheur expansion into areas with attractive demographics and strong payor mixes

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## OPPORTUNITY TO MAXIMIZE CONTRACT INCOME

- ✓ Reduce current billing costs by consolidating billing and obtaining a market-competitive billing rate
- ✓ Improve net income through the consolidation of operations and center management
- ✓ Optimize share of center-level profit by directly staffing
- ✓ Leverage resources and analytics of strategic partner to improve utilization and add recruitment efficiencies

## EXCELLENT ED RECRUITING & CLINICAL QUALITY

- ✓ EM Fellowship Program at Methodist North and Methodist South Hospitals to help train MDs
- ✓ Methodist University Hospital is the University of Tennessee School of Medicine's main academic center and principal teaching hospital
- ✓ Emergency Medicine Residency Program through University of Tennessee scheduled to start in July, 2015 – enhancing recruiting and supply of trained ED physicians

# TENURED EMERGENCY DEPARTMENT MANAGEMENT COMPANY

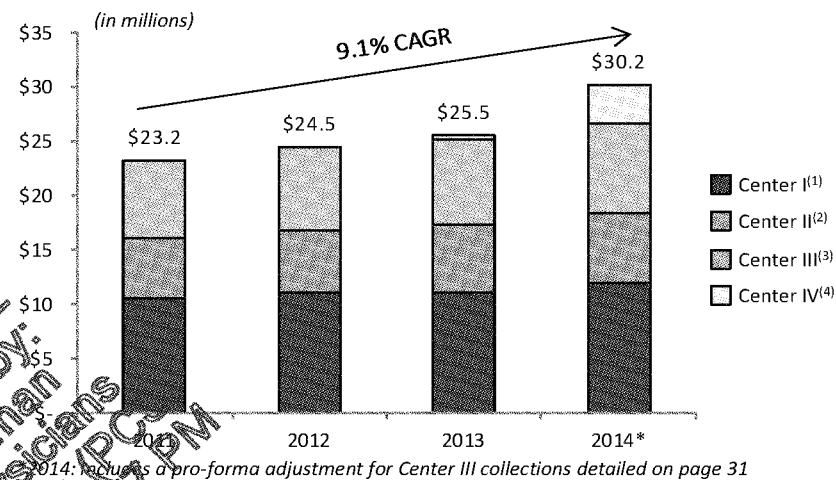
Professional Coverage Services serves as the exclusive provider of ED physician services in the ED for Methodist Le Bonheur Healthcare System ("Methodist") – the leading hospital system located in Memphis, TN

PCS manages five Methodist hospital EDs

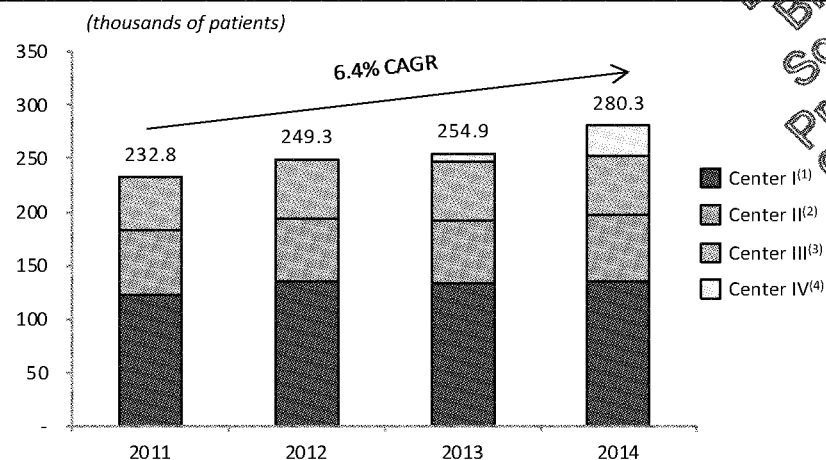
Longstanding relationship with Methodist for more than 25 years

- North Hospital: 22 years
- South Hospital: 18 years
- University Hospital: 6 years
- Germantown Hospital: 21 years
- Olive Branch: 2 years

## GROSS COLLECTIONS

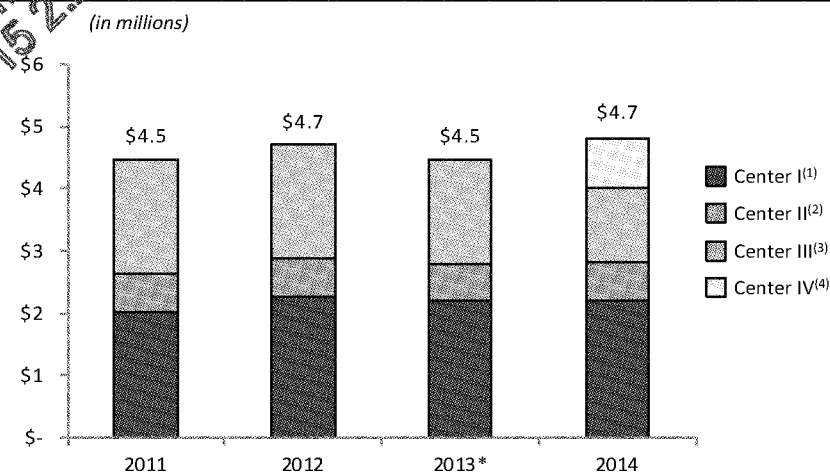


## PATIENT VOLUME



- (1) Center I: North, South, 5% of University  
 (2) Center II: 95% of University  
 (3) Center III: Germantown  
 (4) Center IV: Olive Branch

## ADJUSTED CENTER-LEVEL CONTRIBUTION



\*2013: Excludes a \$562K loss from start-up costs associated with Center IV (Olive Branch)

# STRONG RELATIONSHIP WITH RENOWNED HEALTHCARE SYSTEM

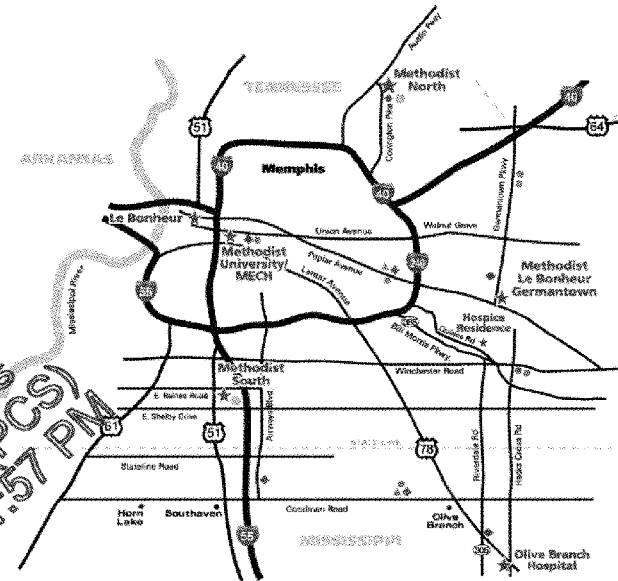


## METHODIST'S PRESENCE IN MEMPHIS

Methodist Le Bonheur is a not-for-profit healthcare system based in Memphis, TN

Operates seven hospitals in the Memphis metropolitan region; its five adult hospitals include:

- Methodist University Hospital (617 beds); new, state-of-the-art ED opened in September 2014
- Methodist North Hospital (246 beds)
- Methodist South Hospital (156 beds)
- Methodist Le Bonheur Germantown Hospital (300 beds)
- Methodist Olive Branch Hospital (100 beds); opened in 2013



Dr. Thomas Carr first contracted with Methodist in 1992 at Methodist North. His ability to continually renew this contract is a testament to the superior performance of the emergency department and the strong relationship built over 20 years

- North – 1992
- South – 1996
- University – 2008 (relationship dating back to 1992)
- Germantown – 1993
- Olive Branch – 2013

## METHODIST LE BONHEUR SYSTEM KEY STATISTICS<sup>(1)</sup>

- ☐ Total admissions – 63,371
- ☐ Total outpatient visits – 343,387
- ☐ For first nine months of 2014, ER visits system-wide (totaling 243,717) increased 2.8%; 310,311 ER visits system-wide in 2013
- ☐ Surgical procedures – 39,507 (inpatient & outpatient)
- ☐ Newborn admissions (births) – 5,702
- ☐ Total licensed beds – 1,629
- ☐ Total associates – 12,388
- ☐ Over \$1.2 billion in revenue for 1<sup>st</sup> nine months of 2014
- ☐ Bond rating – A2

<sup>(1)</sup>Data for all 7 Methodist Le Bonheur hospitals



# REASON FOR SALE

---

- ☐ Dr. Carr is exploring opportunities to partner with a larger organization that can provide scalable resources by:
  - Navigating the increasing complexity of billing services and payor negotiations by consolidating these activities and related administrative services (or utilizing existing in-house resources)
  - Managing ongoing high-quality physician and mid-level provider recruiting to support further growth in the Memphis market
  - Standardizing provider compensation and implementing a single-entity leadership model
- ☐ Given PCS' long history of continued care to the Memphis area, PCS has developed many deep relationships within the Methodist hospital system and the community.
  - It would be imperative that a buyer continue providing a similar level and quality of service to the hospital
- ☐ Post sale, Dr. Carr would take an active role in helping solidify the hospital relationship with the new owner, working to best integrate PCS onto a new platform and provide ongoing consulting leadership

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# ATTRACTIVE MEMPHIS MARKET

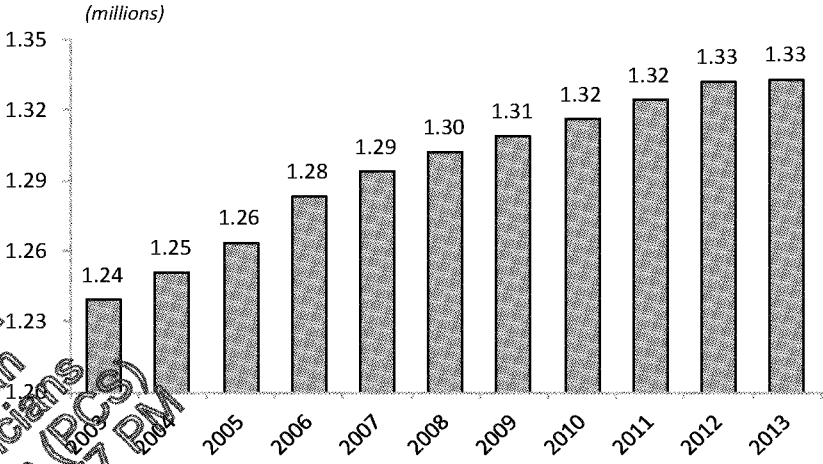
## Advantageous Location in Memphis Metro Area

- The Memphis MSA covers counties in three states: Tennessee, Arkansas and Mississippi
- City of Memphis is the 20<sup>th</sup> largest city in the U.S. (population of 657,457); the Memphis MSA has approximately 1.3 million people<sup>(1)</sup>
- Among Tier 2 cities in the U.S., Memphis has the 5<sup>th</sup> lowest cost of doing business<sup>(2)</sup>
  - Cost of business in Memphis is 4.2% lower than the national average (evidenced by its cost index of 95.8 vs. U.S. baseline of 100)
  - Three *Fortune 500* companies are headquartered in Memphis: FedEx, International Paper and AutoZone
- Four of five of the Memphis-area's component regions have experienced significant improvements in their labor markets

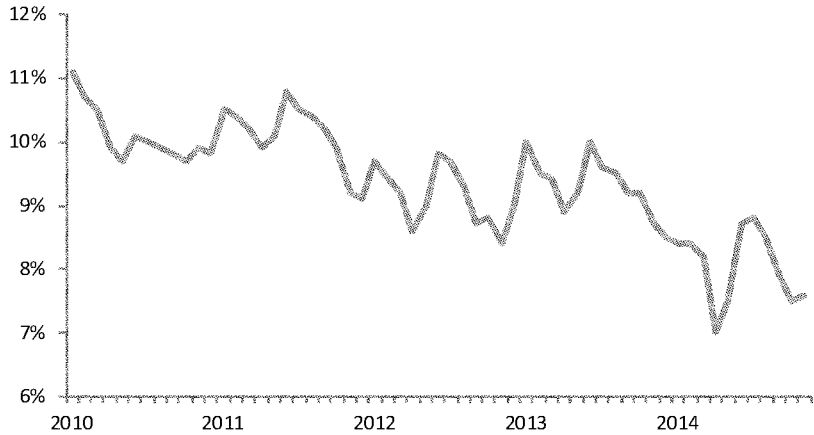
## Favorable Tennessee Regulatory Environment

- In Tennessee, hospital-based physicians can't be employed by the hospital at which they work due to Corporate Practice of Medicine laws in the state

MEMPHIS MSA POPULATION<sup>(3)</sup>



MEMPHIS UNEMPLOYMENT<sup>(4)</sup>



(1) U.S. Census Bureau

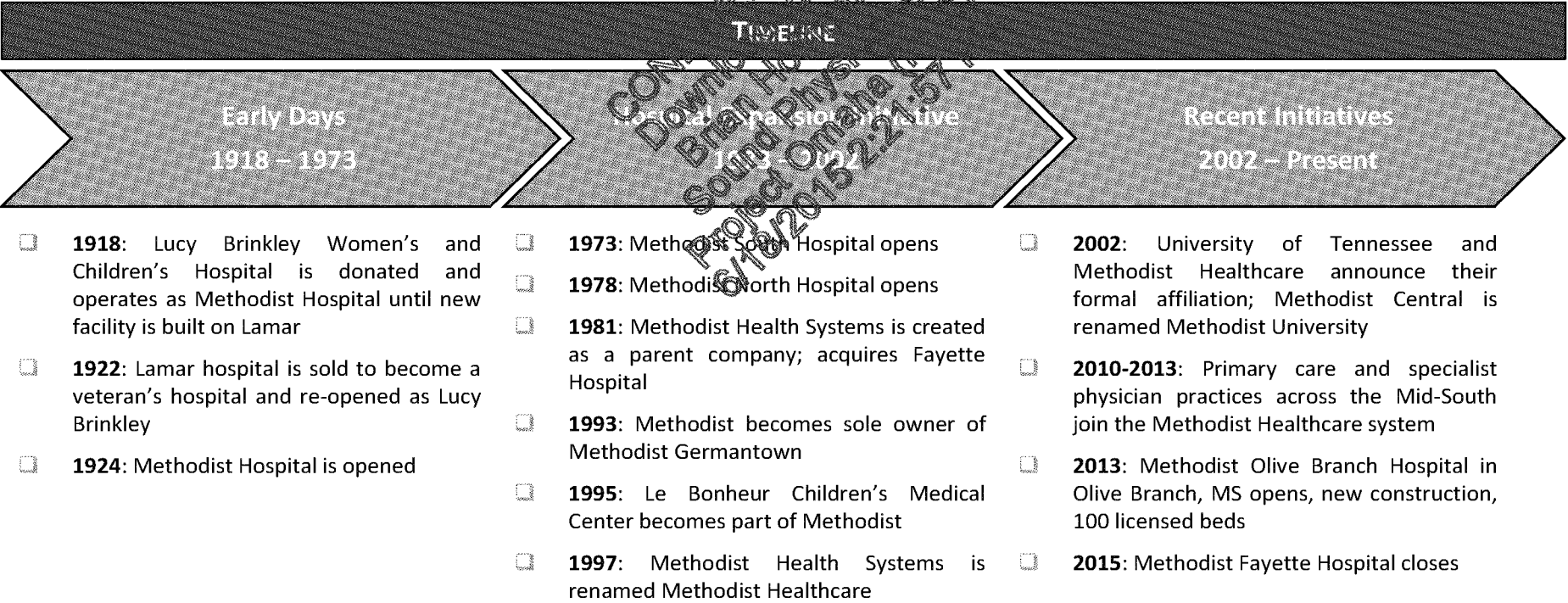
(2) KPMG, *Competitive Alternatives*, 2014 Edition

(3) St. Louis Federal Reserve

(4) Bureau of Labor Statistics

# METHODIST LE BONHEUR OVERVIEW

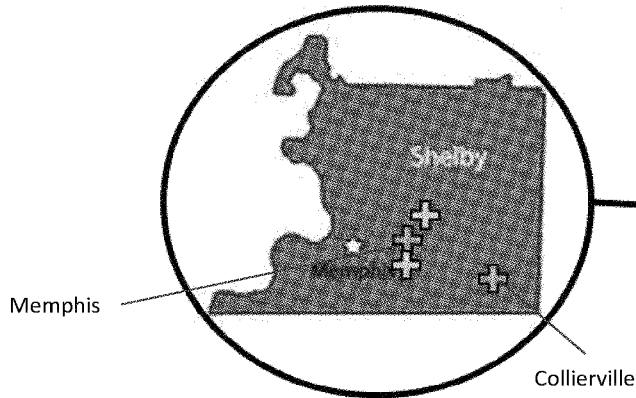
- ❑ Methodist Le Bonheur Healthcare is a 1,725-bed general medical and surgical system. It consists of seven hospitals, five wound healing centers, four minor medical centers, five outpatient surgery centers and a number of affiliated specialties / physicians
- ❑ In U.S. News and World Report’s 2014-2015 hospital ranking, Methodist Le Bonheur was named the Best Hospital System in the Memphis metropolitan area and 3<sup>rd</sup> in Tennessee<sup>(1)</sup>
  - Methodist is recognized as a leading performer in the adult specialties of cancer, cardiology & heart surgery, diabetes & endocrinology, gastroenterology & GI surgery, nephrology, neurology & neurosurgery, orthopedics, pulmonology and urology
  - Le Bonheur Children’s Hospital was ranked as a Best Children’s Hospital with nationally ranked specialties in cardiology, neonatology, nephrology, neurology, orthopedics, pulmonology and urology. It also shares a close affiliation with St. Jude Children’s Hospital as it provides complementary care to many St. Jude patients



# COMPETITIVE LANDSCAPE

## BAPTIST MEMORIAL HEALTH CARE

- Baptist Memorial Health Care is a 14-affiliate hospital network that operates throughout the Mid-South
  - Ranked the 2<sup>nd</sup> best hospital (behind Methodist) in the Memphis metropolitan area<sup>(1)</sup>
  - Three large hospitals in Memphis area: Memphis and Collierville, TN, and Southaven, MS
  - Metro Memphis area – 1,400 licensed beds (System-wide – 2,600 licensed beds)
  - 344,085 emergency visits system-wide in 2013
  - 52,140 surgical procedures system-wide in 2013

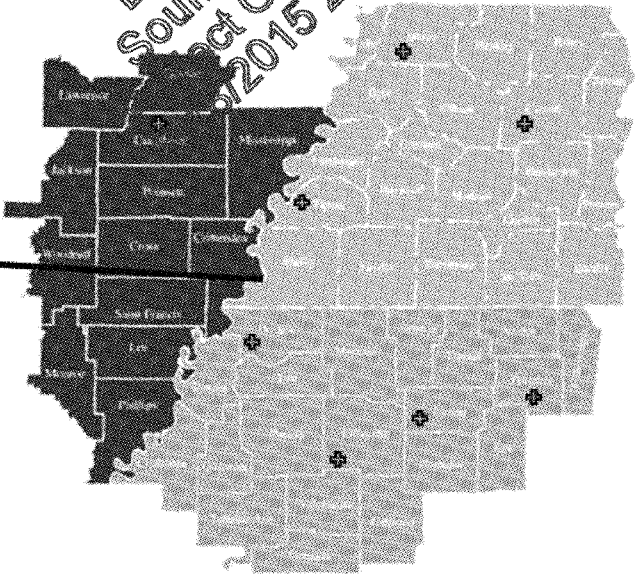


Note: Map not drawn to scale

## SAINT FRANCIS HOSPITALS

- Saint Francis Hospital – Memphis
  - 519 bed facility opened in 1974
  - 42,198 emergency room visits<sup>(1)</sup>
  - 1<sup>st</sup> full service hospital in East Memphis area
- Saint Francis Hospital – Bartlett
  - 156 bed facility opened in 2004
  - 36,063 emergency room visits<sup>(1)</sup>

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Legend

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 Baptist Memorial Healthcare Hospital

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 St. Francis Hospital

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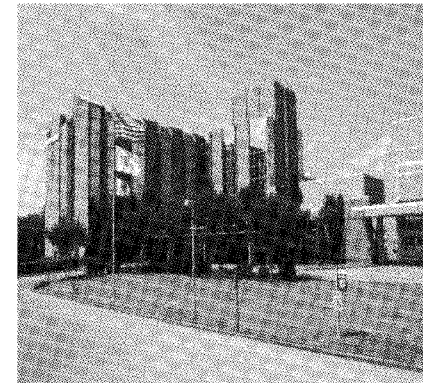
## PRACTICE OVERVIEW

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# TENURED HOSPITAL RELATIONSHIP

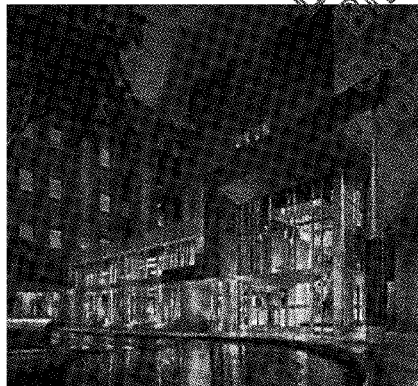
- ❑ Longstanding relationship with Methodist
  - Began contracting with Methodist North Hospital over 22 years ago
- ❑ Dr. Carr has worked 34 years at Methodist and has served as:
  - Chief of Staff Methodist North and South Hospitals (past); President of the Medical Staff, Methodist Healthcare (past); Chairman of the Department of Emergency Medicine, Methodist Healthcare (current); Chairman of the Department of Emergency Medicine University of Tennessee College of Health Sciences, Memphis (current)
- ❑ In 2001, Dr. Carr received the inaugural “Sherard Physician of the Year Award” from Methodist Healthcare



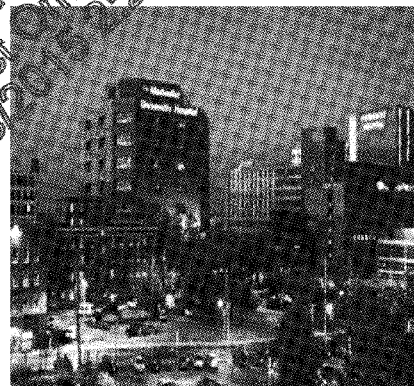
1992  
North



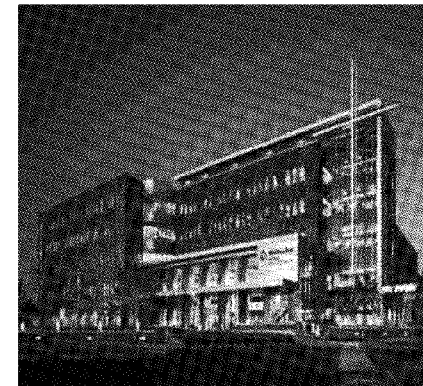
1993  
Germantown



1996  
South



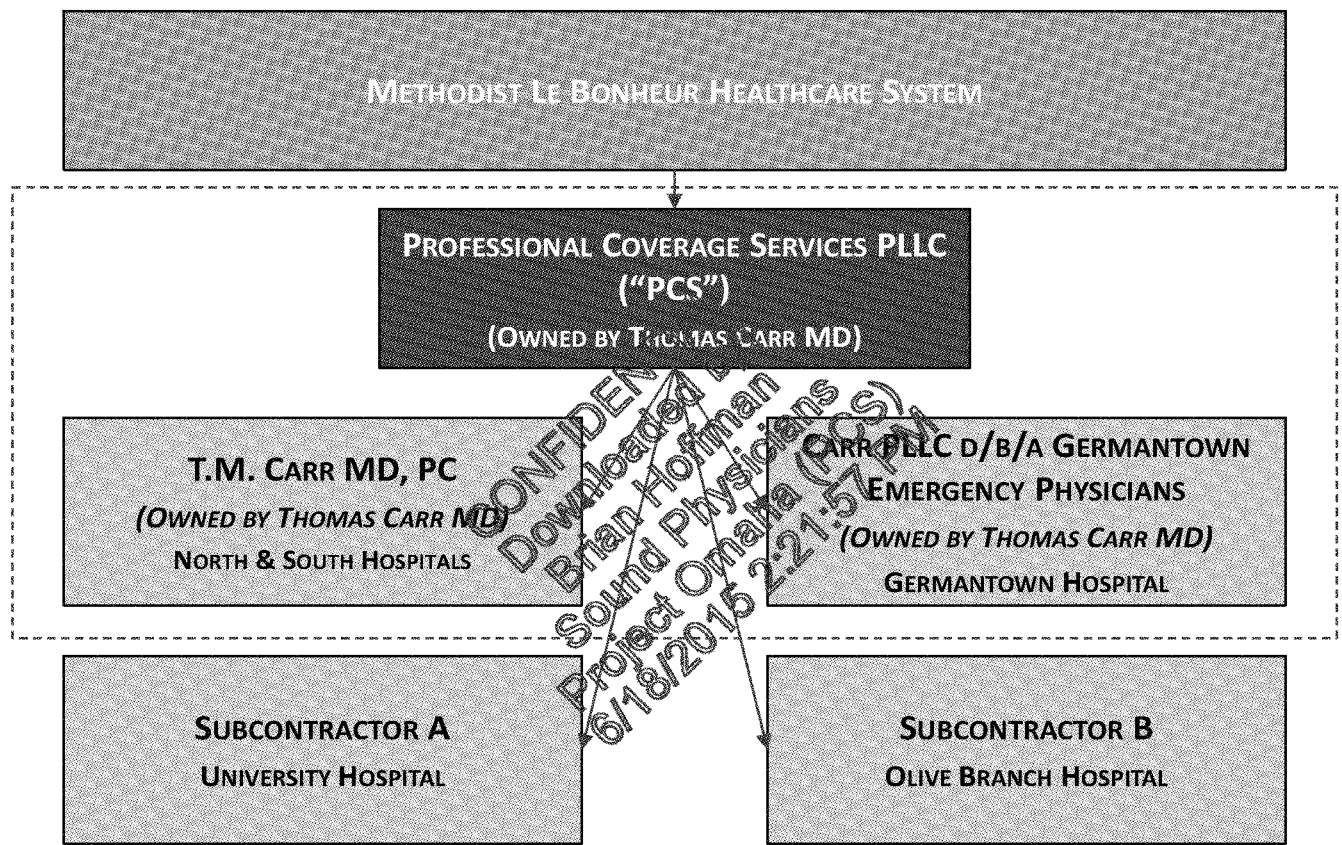
2008  
University



2013  
Olive Branch



# CORPORATE STRUCTURE



*PCS has exclusive contract to operate all emergency departments in adult hospitals of Methodist Le Bonheur Healthcare System*

- = Hospital Contractor and corporate entity offered for sale
- = Subcontractor
- = Entities owned and directly managed by Dr. Carr, herein referred to as "Carr Entities"



# PROFESSIONAL SERVICES AGREEMENT – ED STAFFING

## ☐ Methodist Healthcare – Memphis Hospital (“MHMH”) has contracted with PCS to furnish all required emergency services

- ..... Agreement gives PCS the exclusive right to provide the services of ED physicians and physician extenders at the emergency departments of the following locations:
  - Methodist University, Methodist North, Methodist South, Methodist Germantown, Methodist Olive Branch
  - At its own discretion, PCS can subcontract staffing of the ED at the five hospitals
- ..... 1-year contract term that renews automatically each year, subject to the right of either entity to terminate the agreement
- ..... PCS is solely responsible for the billing and collection of its own professional fees
- ..... PCS appoints a facility emergency department medical director to oversee emergency department coverage at each contracted facility, subject to MHMH’s approval
  - Hospital provides and employs nurses at all locations

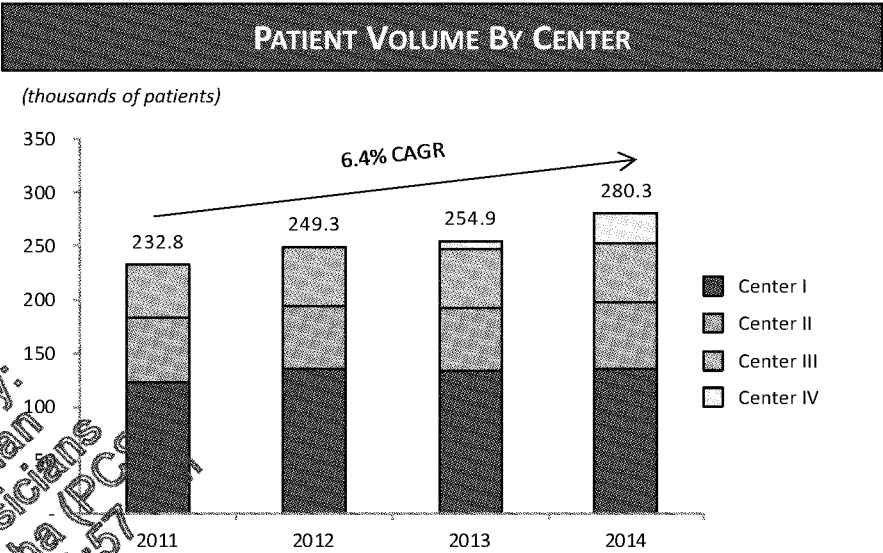
## ☐ Key Subcontractor Agreement terms include:

- ..... Provisions specifying that each subcontractor manage all billing, payor collections, staffing, and malpractice costs for respective hospital
- ..... Each subcontracting entity has a 1-year contract with automatic renewals; PCS can give a 60-day written termination notice at any time
- ..... Non-disclosure provision in agreement with subcontractor prohibiting disclosure of confidential information
- ..... Unrestricted assignment of Agreement by PCS without subcontractor consent
- ..... Non-circumvention language prohibiting subcontractor from soliciting contracts directly with hospital or in any way limiting or curtailing hospital business with PCS

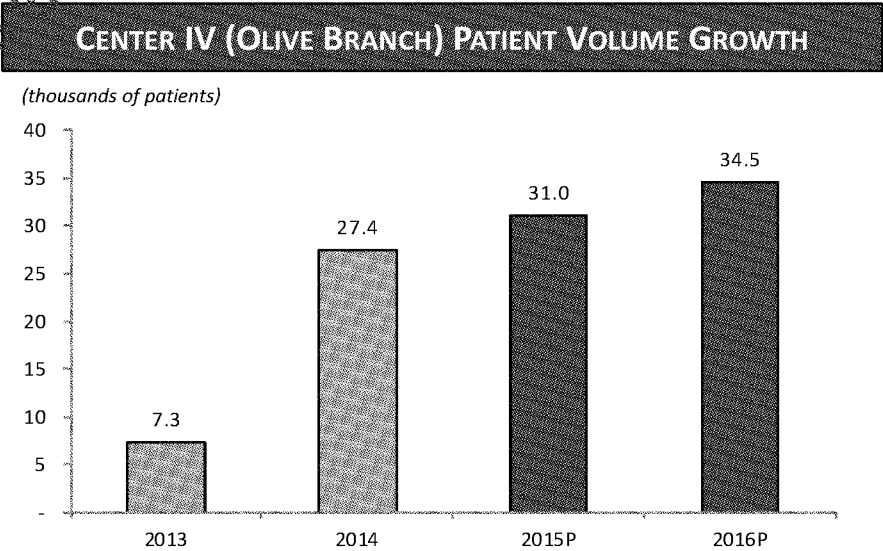


# PATIENT VOLUME GROWTH

- PCS experienced a 6.4% annual growth rate in patient volume between 2011 and 2014 (posted a 12.2% increase from 2013 to 2014)

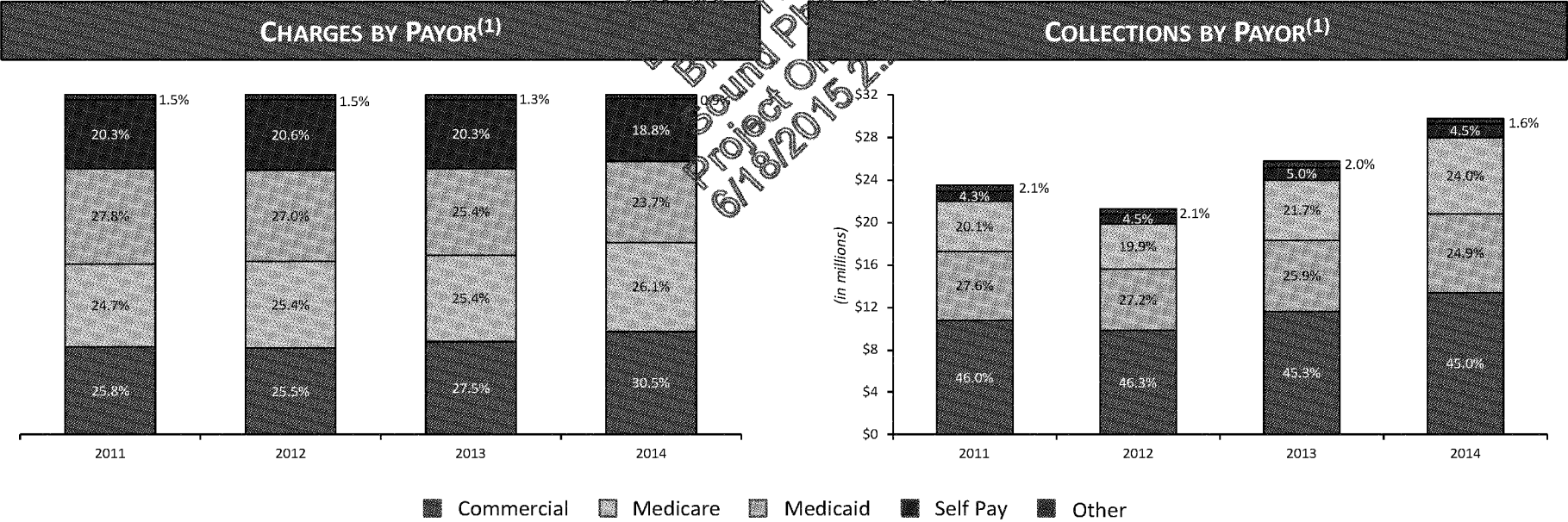
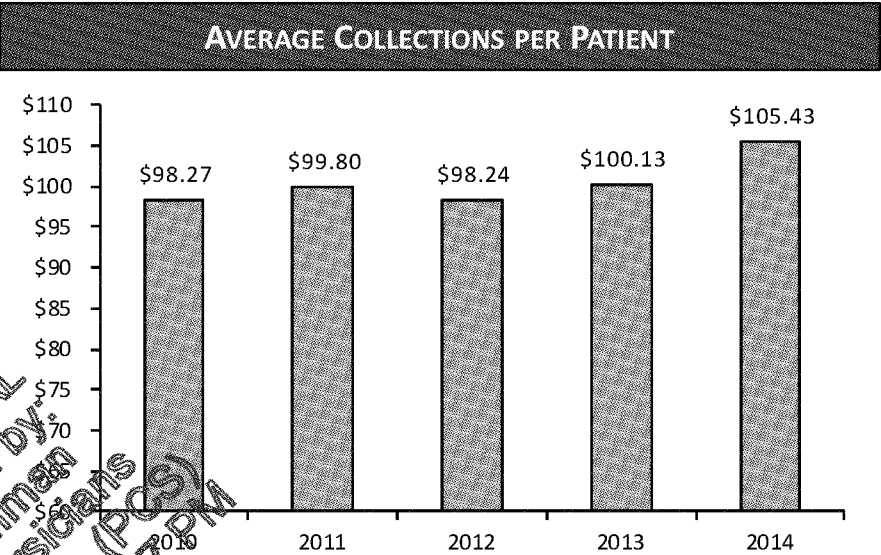


- PCS expects continued volume growth as Center IV (Olive Branch) continues to ramp and patients are being directed from the recently closed Fayette Hospital to other Methodist hospitals where PCS has a presence



# PAYOR MIX

- Historically, collections per patient have been relatively stable; however, starting in 2014, PCS experienced an increase in average collections per patient with strong growth from both Germantown and Olive Branch locations (areas with more favorable payor mixes)



(1) For Center IV (Germantown Hospital), "Commercial" includes "Other" charges and collections (2013-2014)

CENTER OVERVIEW

- Center I is comprised of Methodist North, Methodist South and ~5% of Methodist University
- Dr. Carr directly oversees center operations
- Physician / mid-level details:
  - Physicians and other mid-level providers (“MLPs”) are 1099; Fellows are W-2
- Compensation by provider:
  - MDs – 90% of net collections; Fellows - \$75,000/yr.
  - MLPs – \$55-\$65/hr. plus shift incentive bonus based on the number of patients seen during a 12 hr. shift
  - No contractual benefits, malpractice (except for Fellows), or bonus included. Discretionary annual bonus provided by Dr. Carr

INVESTMENT MERITS

- Methodist North and Methodist South are two of the longest tenured hospitals in Memphis and have served as the platform for expansion by Methodist Le Bonheur
- Both facilities continue to post favorable patient volume and collections growth
  - Annual growth of 4% in collections from 2011 – 2014
- Through Dr. Carr’s oversight, Center I benefits from sound operational efficiencies resulting in the following:
  - Historical average adjusted EBIT of 20.7%
  - MD/MLP coverage ratio of 1.8, keeping total payroll costs at ~74% of net collections

MEDICAL BILLING

- Center I uses Physician Revenue Management and Consulting, LLC (“PRMC”) for billing services, A/R management, and key practice management functions
  - Formed in late 2014 in Arlington, TN by management of previous billing company used by Center I which served as Center I’s billing company from 1992 through 2014
  - Current billing fee is 7.75% of gross collections
  - One year term started January 1, 2015; automatic renewals each year for successive one-year terms
  - Dr. Carr may cancel billing contract without cause by notifying PRMC at least three months prior to the end of the term

STAFFING

- Methodist North:
  - Monday/Tuesday – physician coverage: 60 hours/day; mid-level coverage: 36 hours/day
  - Wednesday-Friday – physician coverage: 48 hours/day; mid-level coverage: 36 hours/day
  - Saturday/Sunday – physician coverage: 60 hours/day; mid-level coverage: 24 hours/day
- Methodist South:
  - All week – physician coverage: 48 hours/day; mid-level coverage: 24 hours/day; an additional provider (either physician or mid-level): 8 hours/day
- Average 2014 gross collection per patient by provider:
  - Physician: \$107.58
  - Mid-level: \$59.72
- MDs required to maintain malpractice insurance

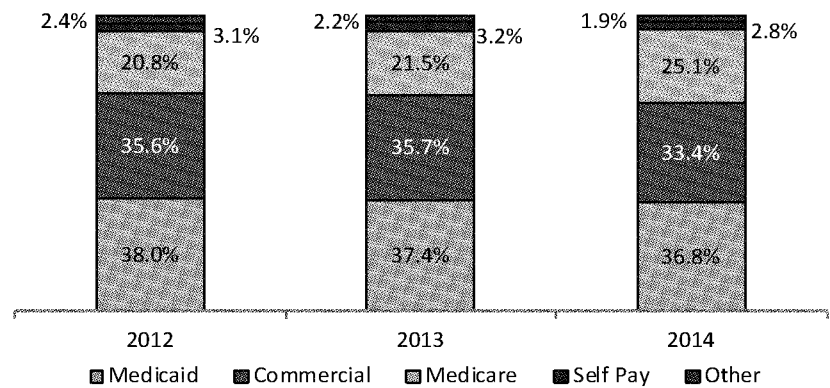
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FINANCIAL PERFORMANCE

(year end Dec. 31)	2011	2012	2013	2014
Gross Collections:				
North	\$ 5,654,333	\$ 5,830,332	\$ 6,105,083	\$ 6,537,884
South	4,762,806	4,981,719	4,850,224	5,140,596
University	189,873	258,942	215,964	253,779
Total Gross Collections	\$ 10,607,012	\$ 11,070,994	\$ 11,171,270	\$ 11,932,259
Actual Billing Costs				
North	\$ 555,315	\$ 528,756	\$ 537,786	\$ 542,211
South	476,281	461,132	436,520	436,181
University	18,987	23,799	19,437	21,111
Total Billing Costs	\$ 1,050,583	\$ 1,013,687	\$ 993,743	\$ 999,504
Billing Cost Adjustment <sup>(1)</sup>	(414,162)	(349,428)	(323,467)	(283,568)
Adjusted Billing Costs	\$ 636,421	\$ 664,260	\$ 670,276	\$ 715,936
Net Collections	\$ 9,970,591	\$ 10,406,734	\$ 10,500,994	\$ 11,216,324
Payroll Costs:				
Payroll	\$ 7,809,735	\$ 7,978,394	\$ 8,135,852	\$ 8,812,377
Allocated Corporate Overhead Expenses:				
Malpractice - Center I <sup>(2)</sup>	\$ 140,346	\$ 151,244	\$ 157,451	\$ 159,016
Workers Comp - Center I	5,789	5,723	6,003	6,500
Adjusted EBIT	\$ 2,014,720	\$ 2,271,372	\$ 2,200,943	\$ 2,247,948

1) Adjustments are further detailed in adjustments summary on page 31  
2) Dr. Carr covers malpractice fees and expenses for Fellows working in Center I

HISTORICAL PAYOR MIX



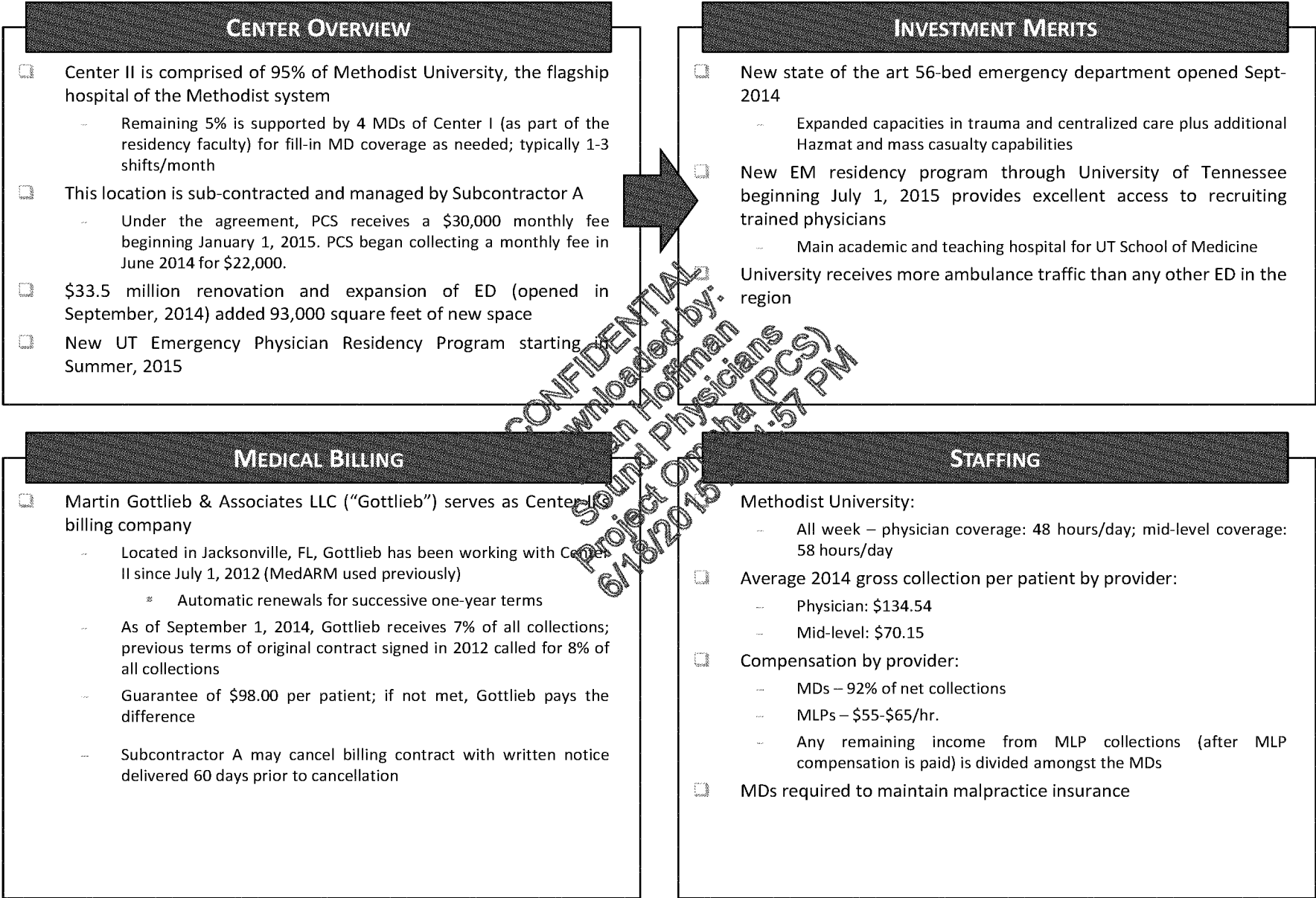
CENTER I COMMON SIZE INCOME STATEMENT

	2011	2012	2013	2014
(% of gross collections)				
Gross Collections:				
North	53.3%	52.7%	54.6%	54.8%
South	44.9%	45.0%	43.4%	43.1%
University	1.8%	2.3%	1.9%	2.1%
Total Gross Collections	100.0%	100.0%	100.0%	100.0%
Actual Billing Costs				
North	5.2%	4.8%	4.8%	4.5%
South	4.5%	4.2%	3.9%	3.7%
University	0.2%	0.2%	0.2%	0.2%
Total Billing Costs	9.9%	9.2%	8.9%	8.4%
Billing Cost Adjustment <sup>(1)</sup>	(3.9%)	(3.2%)	(2.9%)	(2.4%)
Adjusted Billing Costs	6.0%	6.0%	6.0%	6.0%
Net Collections	100.0%	100.0%	100.0%	100.0%
Payroll Costs:				
Payroll	78.3%	76.7%	77.5%	78.6%
Allocated Corporate Overhead Expenses:				
Malpractice - Center I <sup>(2)</sup>	1.4%	1.5%	1.5%	1.6%
Workers Comp - Center I	0.1%	0.1%	0.1%	0.1%
Adjusted EBIT	20.2%	21.8%	21.0%	19.8%

CENTER I METRICS

(gross collections in millions)					
	North				
	2010	2011	2012	2013	2014
Gross Collections	\$ 4.8	\$ 5.7	\$ 5.8	\$ 6.1	\$ 6.5
Patient Count	53,768	60,768	68,712	70,130	69,880
Avg. Collections/Patient	\$ 89.11	\$ 93.05	\$ 84.85	\$ 87.05	\$ 93.56
	South				
	2010	2011	2012	2013	2014
Gross Collections	\$ 4.6	\$ 4.8	\$ 5.0	\$ 4.9	\$ 5.1
Patient Count	55,621	59,374	64,010	61,955	63,826
Avg. Collections/Patient	\$ 83.39	\$ 80.22	\$ 77.83	\$ 78.29	\$ 80.54
	University <sup>(3)</sup>				
	2010	2011	2012	2013	2014
Gross Collections	\$ 0.2	\$ 0.3	\$ 0.2	\$ 0.3	\$ 0.3
Patient Count	1,906	2,294	1,876	2,149	2,149
Avg. Collections/Patient	\$ 99.6	\$ 112.9	\$ 115.1	\$ 118.1	\$ 118.1

(3) Dr. Carr began supporting University on a limited basis with physicians from Center I in 2011



FINANCIAL PERFORMANCE

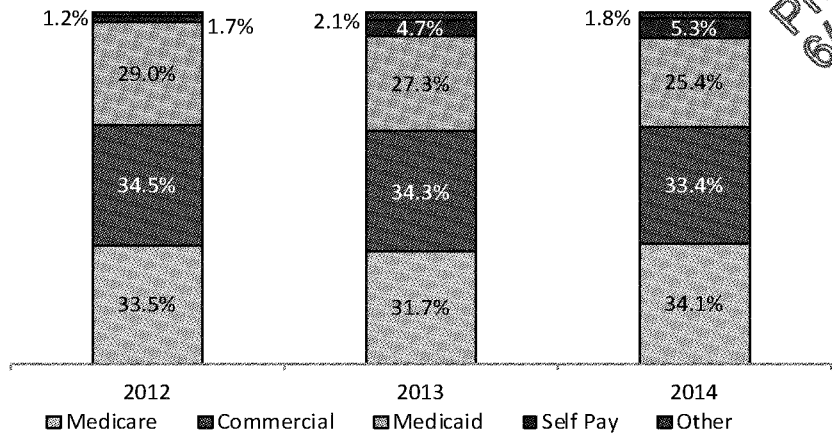
(year end Dec. 31)	2011	2012	2013	2014
Collections:				
University	\$ 5,559,298	\$ 5,812,842	\$ 6,126,938	\$ 6,538,404
Actual Billing Costs:				
University	\$ 550,193	\$ 528,991	\$ 488,566	\$ 501,005
Billing Cost Adjustment <sup>(1)</sup>	(216,636)	(180,220)	(120,950)	(108,700)
Adjusted Billing Costs	\$ 333,558	\$ 348,770	\$ 367,616	\$ 392,304
Net Collections	\$ 5,225,740	\$ 5,464,071	\$ 5,759,321	\$ 6,146,100
Payroll Costs:				
University	\$ 4,608,377	\$ 4,861,143	\$ 5,187,302	\$ 5,554,496
Adjusted EBIT	\$ 617,364	\$ 602,928	\$ 572,020	\$ 591,692
Subcontractor Adjustments <sup>(1)</sup>	(617,364)	(602,928)	(572,020)	(437,692)
Adjusted Carr Entities Income	\$ -	\$ -	\$ -	\$ 154,000

(1) Adjustments are further detailed in adjustments summary on page 31

CENTER II COMMON SIZE INCOME STATEMENT

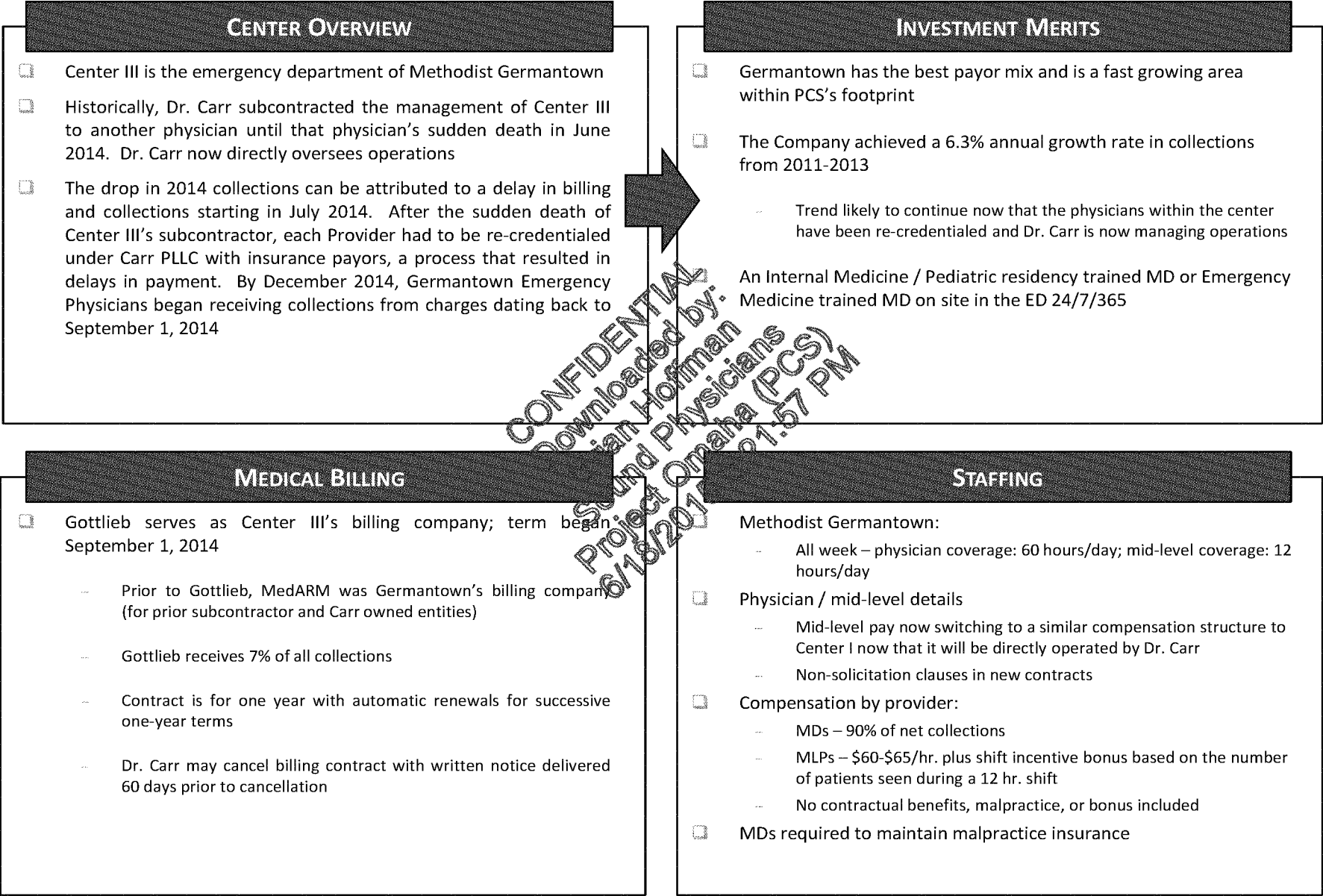
	2011	2012	2013	2014
(% of gross collections)				
Collections:				
University	100.0%	100.0%	100.0%	100.0%
Actual Billing Costs:				
University	9.9%	9.1%	8.0%	7.7%
Billing Cost Adjustment <sup>(1)</sup>	(3.9%)	(3.1%)	(2.0%)	(1.7%)
Adjusted Billing Costs	6.0%	6.0%	6.0%	6.0%
(% of net collections)				
Net Collections	100.0%	100.0%	100.0%	100.0%
Payroll Costs:				
University	88.2%	89.0%	90.1%	90.4%
Adjusted EBIT	11.8%	11.0%	9.9%	9.6%
Subcontractor Adjustments <sup>(1)</sup>	(11.8%)	(11.0%)	(9.9%)	(7.1%)
Adjusted Carr Entities Income	0.0%	0.0%	0.0%	2.5%

HISTORICAL PAYOR MIX



CENTER II METRICS

(net collections in millions)					
Net Collections	\$ 5.2	\$ 5.6	\$ 5.8	\$ 6.1	\$ 6.5
Patient Count	52,925	61,841	58,330	58,881	60,692
Average Collections/Patient	\$ 97.88	\$ 89.90	\$ 99.65	\$ 104.06	\$ 107.73





FINANCIAL PERFORMANCE

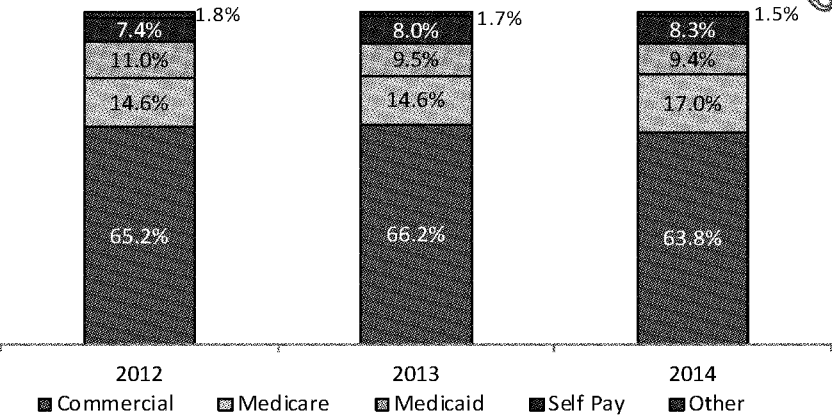
(year end Dec. 31)	2011	2012	2013	2014 <sup>(1)</sup>
<b>Collections:</b>				
Germantown	\$ 7,065,711	\$ 7,608,403	\$ 7,981,587	\$ 8,149,410
<b>Actual Billing Costs:</b>				
Germantown	\$ 699,452	\$ 693,444	\$ 708,863	\$ 701,777
Billing Cost Adjustment <sup>(1)</sup>	(275,509)	(236,940)	(229,967)	(212,813)
<b>Adjusted Billing Costs</b>	<b>\$ 423,943</b>	<b>\$ 456,504</b>	<b>\$ 478,895</b>	<b>\$ 488,965</b>
<b>Net Collections:</b>	<b>\$ 6,641,769</b>	<b>\$ 7,151,899</b>	<b>\$ 7,502,692</b>	<b>\$ 7,660,446</b>
<b>Payroll Costs:</b>				
Germantown	\$ 4,634,633	\$ 5,220,143	\$ 5,767,396	\$ 6,392,788
<b>Allocated Corporate Overhead Expenses:</b>				
Malpractice - Center III <sup>(2)</sup>	\$ 160,540	\$ 99,794	\$ 29,985	\$ 69,069
<b>Adjusted EBIT</b>	<b>\$ 1,846,596</b>	<b>\$ 1,831,962</b>	<b>\$ 1,705,312</b>	<b>\$ 1,188,593</b>
Subcontractor Adjustments <sup>(1)</sup>	(1,182,419)	(1,116,772)	(955,074)	(1,188,593)
<b>Adjusted Carr Entities Income</b>	<b>\$ 664,177</b>	<b>\$ 715,190</b>	<b>\$ 750,269</b>	<b>\$ 1,198,193</b>

1) Adjustments are further detailed in adjustments summary on page 31  
2) Dr. Carr covers malpractice fees and expenses for fellows and mid-levels working in Center III

CENTER III COMMON SIZE INCOME STATEMENT

	2011	2012	2013	2014 <sup>(1)</sup>
(% of gross collections)				
<b>Collections:</b>				
Germantown	100.0%	100.0%	100.0%	100.0%
<b>Actual Billing Costs:</b>				
Germantown	9.9%	9.1%	8.9%	8.6%
Billing Cost Adjustment <sup>(1)</sup>	(3.9%)	(3.1%)	(2.9%)	(2.6%)
<b>Adjusted Billing Costs</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>
(% of net collections)				
<b>Net Collections:</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Payroll Costs:</b>				
Germantown	69.8%	73.0%	76.9%	83.5%
<b>Allocated Corporate Overhead Expenses:</b>				
Malpractice - Center III <sup>(2)</sup>	2.4%	1.4%	0.4%	0.9%
<b>Adjusted EBIT</b>	<b>27.8%</b>	<b>25.6%</b>	<b>22.7%</b>	<b>15.6%</b>
Subcontractor Adjustments <sup>(1)</sup>	(17.8%)	(15.6%)	(12.7%)	(0%)
<b>Adjusted Carr Entities Income</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>15.6%</b>

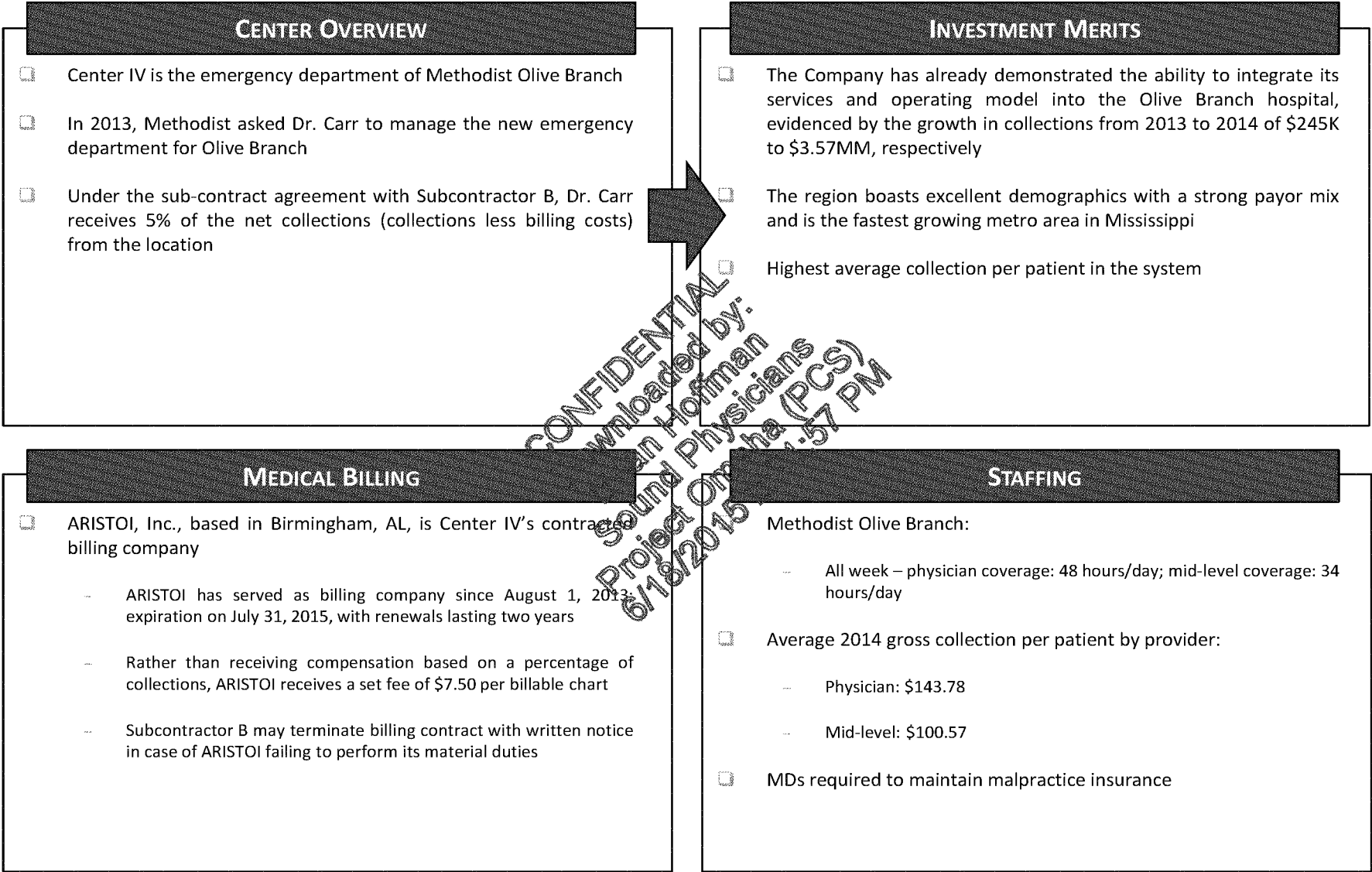
HISTORICAL PAYOR MIX



CENTER III METRICS

(net collections in millions)	Germantown				
	2010	2011	2012	2013	2014
Net Collections	\$ 5.6	\$ 7.1	\$ 7.6	\$ 8.0	\$ 7.5
Patient Count	43,750	48,899	55,974	54,740	56,365
Average Collections/Patient	\$ 128.91	\$ 144.50	\$ 135.93	\$ 145.81	\$ 133.41

# CENTER IV



CENTER IV

FINANCIAL PERFORMANCE

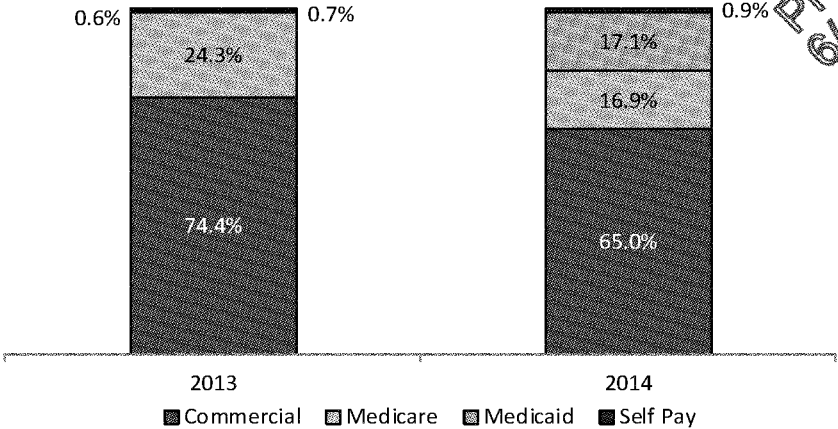
(year end Dec. 31)	2013	2014
Collections:		
Olive Branch	\$ 240,179	\$ 3,566,108
Actual Billing Costs:		
Olive Branch	\$ 53,130	\$ 205,065
Net Collections:	\$ 187,049	\$ 3,361,043
Payroll Costs:		
Olive Branch	\$ 750,000	\$ 2,580,000
Adjusted EBIT	\$ (562,951)	\$ 781,043
Subcontractor Adjustments <sup>(1)</sup>	572,303	(612,991)
Adjusted Carr Entities Income	\$ 9,352	\$ 168,052

- 1) Adjustments are further detailed in adjustments summary on page 31  
2) Payroll costs presented above are estimates; operations for center began August 2014

CENTER IV COMMON SIZE INCOME STATEMENT

	2013	2014
(% of gross collections)		
Collections:		
Olive Branch		100.0%
Actual Billing Costs:		
Olive Branch		5.8%
(% of net collections)		
Net Collections:		100.0%
Payroll Costs:		
Olive Branch		76.8%
Adjusted EBIT		23.2%
Subcontractor Adjustments <sup>(1)</sup>		(18.2%)
Adjusted Carr Entities Income		5.0%

HISTORICAL PAYOR MIX



Note: "Commercial" includes "Other" payments for Center IV

PROJECTED COLLECTIONS

	Olive Branch			
	2013	2014	2015P	2016P
Net Collections per Patient	\$ 44	\$ 131	\$ 141	\$ 141
Patients Estimate	5,542	27,242	31,000	34,500
Net Collections	\$ 245,179	\$ 3,566,108	\$ 4,376,085	\$ 4,870,159

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# GROWTH OPPORTUNITIES

## BILLING

- ❑ Billing Arbitrage:
  - Current weighted average billing rate – 7.7%; 2014 imputed cost – \$2.35M<sup>(1)</sup>
  - Estimated industry average billing rate – 6.0%; 2014 imputed cost – \$1.80M
  - Implied 2014 cost savings of market-based billing rate **~\$551,000**

Billing Arbitrage	
Current Billing Costs	\$ 2,353,099
Adjusted Billing Costs	1,802,269
2014 Billing Cost Savings Opp.	<u>\$ 550,830</u>

## PRODUCTIVITY

- ❑ Productivity Enhancement :
  - Center II: decrease payroll costs by directly employing mid level providers and paying a percentage of collections consistent with other managed centers. This would generate **~\$409,000/yr.** of additional income
  - Center III: decrease payroll costs by increasing mid level provider coverage by 12 hours and decreasing physician coverage by 12 hours per 24 hour period. Based on the wt. average MD \$/hr. in 2014, against the MLP \$/hr., that would generate **~\$843,000/yr.** of additional income

Productivity Enhancement			
Center II:		Center III:	
Net collections of MDs/DOs	\$ 4,544,152	Physician Pay	\$ 5,585,477
Net collections of MLPs	1,493,248	Hours/Day	60
Total Center II Net Collections in 2014	<u>\$ 6,037,399</u>	Physician Pay/Hour	\$ 255.04
Actual Payroll at Center II in 2014	\$ 5,554,408	MLP Pay/Hour	62.50
Scenario: MLPs Employed Directly		\$ Savings/Hour	\$ 192.54
Pay as a % of Net Collections		# Hours from Physician to MLP/Day	12
MDs/DOs	95%	Days/Yr.	365
MLPs	56%	2014 Compensation Savings Opp./Yr.	<u>\$ 843,345</u>
Compensation:		Total Productivity Enhancement	<u>\$ 1,251,911</u>
MD/DO compensation	\$ 4,316,944		
MLP compensation	828,897		
Total Pay at Center II in 2014	<u>\$ 5,145,842</u>		
Reduction in Payroll	<u>\$ 408,566</u>		

## SUBCONTRACT STRUCTURE

- ❑ Subcontractor Structure:
  - Center II: Carr entities received \$154,000 in 2014 in a center that recorded adjusted earnings of ~\$592,000 in 2014
  - Center IV: Dr. Carr receives 5% of net collections, resulting in ~\$168,000 of adjusted earnings in 2014 for a center that earned ~\$781,000

Direct Management			
Center II:		Center IV:	
Center II Adjusted Earnings	\$ 591,692	Center IV Adjusted Earnings	\$ 781,043
Carr Entities Income	154,000	Carr Entities Income	168,052
Subcontractor Income	<u>\$ 437,692</u>	Subcontractor Income	612,991
		Total Subcontractor Income	<u>\$ 1,050,683</u>

1) Assumes pro-forma billing cost for Center III as outlined on page 31

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Pro Forma Year Ended Dec. 31				
	2011	2012	2013	2014
Gross Collections	\$ 23,232,022	\$ 24,492,238	\$ 25,519,974	\$ 30,186,182
Actual Billing	\$ 2,300,228	\$ 2,236,122	\$ 2,244,302	\$ 2,407,350
Billing Cost Adjustment	(906,307)	(766,588)	(674,384)	(605,081)
Adjusted Billing	\$ 1,393,921	\$ 1,469,534	\$ 1,569,918	\$ 1,802,269
Net Collections	\$ 21,838,100	\$ 23,022,704	\$ 23,950,057	\$ 28,383,912
Expenses:				
Payroll Expenses	17,052,745	18,059,680	19,840,550	23,339,571
Coporate & Other Expenses	306,673	256,761	194,184	353,319
Total Expense	\$ 17,359,420	\$ 18,316,441	\$ 20,034,734	\$ 23,692,890
Adjusted EBIT	\$ 4,478,680	\$ 4,706,262	\$ 3,915,323	\$ 4,691,022
Subcontractor Adjustments	(1,798,783)	(149,700)	(954,758)	(1,050,683)
Adjusted Carr Entities Income	\$ 2,679,897	\$ 2,556,562	\$ 2,960,565	\$ 3,640,339
Pro Forma Year Ended Dec. 31				
	2011	2012	2013	2014
(% of gross collections)				
Gross Collections	100.0%	100.0%	100.0%	100.0%
Adjusted Billing	9.9%	9.1%	8.8%	8.0%
Billing Cost Adjustment	(3.9%)	(3.1%)	(2.6%)	(2.0%)
Adjusted Billing	6.0%	6.0%	6.2%	6.0%
(% of net collections)				
Net Collections	100.0%	100.0%	100.0%	100.0%
Expenses:				
Payroll Expenses	78.1%	78.4%	82.8%	82.2%
Coporate & Other Expenses	1.4%	1.1%	0.8%	1.2%
Total Expense	79.5%	79.6%	83.7%	83.5%
Adjusted EBIT	20.5%	20.4%	16.3%	16.5%
Subcontractor Adjustments	(8.2%)	(7.5%)	(4.0%)	(3.7%)
Adjusted Carr Entities Income	12.3%	13.0%	12.4%	12.8%

ADJUSTMENTS SCHEDULE

Historical Year Ended Dec. 31					
	2011	2012	2013	2014	Notes
<b>Adjustment Schedule:</b>					
<b>Billing</b>					
Actual Center I North Billing	\$ 555,315	\$ 528,756	\$ 537,786	\$ 542,211	
(Center I North Adjusted Billing)	(339,260)	(349,820)	(366,305)	(392,273)	Add-back to equate billing to market rate of 6.0%
Actual Center I South Billing	\$ 476,281	\$ 461,132	\$ 436,520	\$ 436,181	
(Center I South Adjusted Billing)	(285,768)	(298,903)	(291,013)	(308,436)	Add-back to equate billing to market rate of 6.0%
Actual I Center I University Billing	\$ 18,987	\$ 23,799	\$ 19,437	\$ 21,111	
(Center I University Adjusted Billing)	(11,392)	(15,537)	(12,958)	(15,227)	Add-back to equate billing to market rate of 6.0%
Actual Center II University Billing	\$ 550,193	\$ 528,991	\$ 488,566	\$ 501,005	
(Center II University Adjusted Billing)	(333,558)	(348,770)	(367,616)	(392,304)	Add-back to equate billing to market rate of 6.0%
Unadjusted Pro Forma Center III Germantown Billing	\$ 699,452	\$ 693,444	\$ 708,863	\$ 704,777	
(Pro-Forma Center III Germantown Adjusted Billing)	(423,943)	(456,504)	(478,895)	(488,961)	* Add-back to equate billing to market rate of 6.0%
Actual Center IV Olive Branch Billing					
(Center IV Olive Branch Adjusted Billing)					
<b>Adjustment to Actual PCS PLLC Current Billing Arrangements</b>	<b>\$ 906,307</b>	<b>\$ 766,588</b>	<b>\$ 674,384</b>	<b>\$ 653,881</b>	
<b>Center III Pro-Forma Normalized Collections and Expenses</b>					
(Actual Collections)					
Pro-Forma Collections					Pro-forma increase in collections from applying 2012-2013 historical collections rate to 2014 charges in order to find pro-forma 2014 collections if there had not been the need to re-credential physicians
(Actual Payroll)					
Pro-Forma Payroll					Pro-forma increase in payroll costs from applying average compensation rates for MDs and MLPs to the pro-forma collections
(Actual Billing)					
Unadjusted Pro-Forma Billing					Pro-forma increase in billing that came from applying the Center III unadjusted billing rate to the pro-forma 2014 collection amount
<b>Pro-Forma Adjustment to EBIT of PCS PLLC</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (840,066)</b>	
<b>Subcontractor Adjustments</b>					
Center II:					
Center II Elimination of Center Income and Subcontractor Payment	\$ (617,364)	\$ (602,928)	\$ (572,020)	\$ (437,692)	For 2014, Dr. Carr received a \$22,000 monthly fee, beginning in June. Dr. Carr will receive a \$30,000 monthly fee beginning in January 2015
Center III:					
Center III Distribution of Net Collections to Subcontractor	\$ (1,182,419)	\$ (1,116,772)	\$ (955,042)	\$ -	Prior to July 2014, Dr. Carr received 10% of net collections from Center III. In July 2014, Dr. Carr assumed direct control of the Center and now receives all residual collections
Center IV:					
Center IV Elimination of Center Income and Collections Addition (5% of Net Collections)			\$ 572,303	\$ (612,991)	Dr. Carr is entitled to 5% of net collections from Center IV. Subcontractor B absorbed operating loss in 2013 from start-up of Center IV
<b>Pro-forma Adjustment to Income to Carr Entities</b>	<b>\$ (1,799,783)</b>	<b>\$ (1,719,700)</b>	<b>\$ (954,758)</b>	<b>\$ (1,050,683)</b>	



# A/R AGING SUMMARY

As of January 31, 2015

(\$ in millions)	Days Outstanding					
	0-30	30-60	60-90	90-120	120-150	150+
Center 1	\$ 0.08	\$ 1.02	\$ 0.66	\$ 0.46	\$ 0.41	\$ 0.84
Center 2	2.03	1.08	0.68	0.59	0.57	0.99
Center 3	1.57	1.21	0.56	0.47	0.50	0.03
Center 4	2.55	1.13	1.07	1.40	0.56	1.31
Total	\$ 6.23	\$ 4.44	\$ 2.97	\$ 2.93	\$ 2.04	\$ 3.17

TOTAL AGING AS % OF DAYS OUTSTANDING

